

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY**

Financial Statements

December 31, 2006

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

Year Ended December 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	MDA-1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Activities	9
Proprietary Funds	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances	
Budget and Actual – General Fund	28

Additional Auditors' Reports and Schedules

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Schedule of Findings	31
Utah State Compliance Report Based on the Requirements, Special Tests and Provisions Required by the State of Utah's Legal Compliance Audit Guide	33



HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA
KEVIN L. SIMISTER, CPA
O. JEFFERY WILDE, CPA
MARK D. WHITTAKER, CPA
DENTON R. ALEXANDER, CPA
D. ERIC NUTTALL, CPA
BRUCE D. GARFIELD, CPA
CLINT L. PETERSON, CPA
ANGELA ANDERSON, CPA
MARK L. HALE, CPA

RICHARD E. HAWKINS, CPA
KEITH T. BORUP, CPA
RONALD K. HAWKINS, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wasatch County Fire Protection Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of Wasatch County Fire Protection Special Service District as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2007, on our consideration of Wasatch County Fire Protection Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1095 South 800 East, Suite 1 • PO Box 971810 • Orem, UT 84097 • 801-224-1900 • FAX: 801-224-1930

www.mycpa.com • Email: hcs@mycpa.com

regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and page 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wasatch County Fire District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the calendar year ended December 31, 2006. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditors' Report.

HISTORY AND BACKGROUND OF DISTRICT

The Wasatch County Fire District was formed in 1987 in order to facilitate a more financially secure method of funding fire suppression and fire protection to all of Wasatch County. The District was organized under the State statutes of Utah allowing the District to levy taxes, issue bonds, construct fire stations, construct emergency services buildings, acquire fire protection and suppression apparatus, and generally operate and maintain those facilities for the general welfare and good of the citizens of Wasatch County. Prior to the organization of the fire district, most sources of funding came from Heber City Corporation and Wasatch County with occasional contributions coming from the towns of Midway, Wallsburg, and Charleston, and through fire department fund drives. Today the District consists of entities made up of the Cities and Towns of Heber, Midway, Charleston, Wallsburg, Daniel, Timberlakes and surrounding areas, Interlaken, Strawberry Valley and surrounding areas, Woodland and surrounding areas, Bonanza Flat in Snake Creek Canyon and surrounding areas, and the entire Jordanelle Basin. All properties within Wasatch County are included within the boundaries of the District and are, therefore, provided with fire protection and suppression by the District. Private individuals, the State of Utah, or the Federal government own these properties.

FINANCIAL HIGHLIGHTS

The assets of Wasatch County Fire District exceeded the liabilities as of the close of the most recent year by \$5,396,052 (net assets). Of this amount \$4,322,522 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

In the general fund, revenues exceeded expenditures by \$339,997.

At the close of the fiscal year, the unreserved fund balance of the general fund totaled \$784,152, or 118% of the total general fund revenues. State statutes allow a maximum unreserved fund balance of 100% of the current year's property tax of \$647,172. The District has since transferred the overage into the Capital Projects fund.

There was a reduction of outstanding debt in the business-type activities (Jordanelle Fire Station) for the Jordanelle Engine 2 fire truck of \$21,180. This note was paid in full in 2006.

There was a reduction of the outstanding capital lease obligation on the Jordanelle Fire Station of \$75,000.

The District entered into a purchase agreement with Seagrave Fire Apparatus for a new fire truck. The District paid cash to Seagrave in the amount of \$389,118 on December 7, 2006 to facilitate the

manufacture of the truck. The truck is expected to be delivered in August of 2007. Prepayment saved the Fire District approximately \$30,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management's Discussion and Analysis report, the Independent Auditors' Report and the basic financial statements of the District. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the District include general government and administration of public safety as it is related to fire protection and prevention for all citizens living within the boundaries of the Wasatch County Fire District. The business-type activities of the District include administration and operations of the Jordanelle Fire Station, the public safety of those who live in the Jordanelle Basin, and the preservation of the properties located in the Jordanelle Basin.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: *governmental funds and proprietary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal

year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund and the capital projects fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its fire related services provided in the Jordanelle Basin.

Please refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budget analysis.

Additional auditor reports and schedules for the District are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wasatch County Fire District, total assets exceed total liabilities by \$5,396,052 at the close of the most recent fiscal year.

Portions of the District's remaining net asset represent resources that are subject to external restriction on how they may be used. The balance of net assets \$4,322,522 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2006 the District is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for the separate business-type activities.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Net Assets
December 31, 2006

	Governmental Activities 2005	Governmental Activities 2006	Business-Type Activities 2005	Business-Type Activities 2006	Total 2005	Total 2006	Increase Decrease 2005 to 2006
Assets							
Cash and cash equivalents	\$ 446,083	\$ 920,795	\$ 2,342,432	\$ 2,307,840	\$ 2,788,515	\$ 3,228,635	\$ 440,120
Accounts receivable (net of allowance for doubtful accounts)							
Accounts			105,711	134,654	105,711	134,654	28,943
Lease fees			423,269	298,852	423,269	298,852	(124,417)
Internal Balances	-	40,889	-	(40,889)	-	-	-
Due from other governmental entities	299,402	288,433			299,402	288,433	(10,969)
Deposits		389,118			-	389,118	389,118
Restricted assets							
Cash and cash equivalents			164,922	164,922	164,922	164,922	-
Capital assets							
Land			100,000	100,000	100,000	100,000	-
Depreciable buildings and equipment, net	661,378	550,623	2,119,306	2,061,892	2,780,684	2,612,515	(168,169)
Debt issuance costs, net			20,746	19,482	20,746	19,482	(1,264)
Other capital assets	2,500	2,500			2,500	2,500	-
Total assets	\$ 1,409,363	\$ 2,192,358	\$ 5,276,386	\$ 5,046,753	\$ 6,685,749	\$ 7,239,111	\$ 553,362
Liabilities							
Accounts payable and accrued expenses	\$ 7,060	\$ 9,626	\$ 30,941	\$ 41,456	38,001	\$ 51,082	\$ 13,081
Accrued interest			7,186	6,977	7,186	6,977	(209)
Deferred revenue	-				-		-
Noncurrent liabilities							
Due within one year	-		21,180	-	21,180	-	(21,180)
Due in more than one year	-		-		-	-	-
Capital lease obligation							
Due within one year			82,676	80,000	82,676	80,000	(2,676)
Due in more than one year			1,785,000	1,705,000	1,785,000	1,705,000	(80,000)
Total liabilities	\$ 7,060	\$ 9,626	\$ 1,926,983	\$ 1,833,433	\$ 1,934,043	\$ 1,843,059	\$ (90,984)
Net Assets							
Invested in capital assets, net of related debt	\$ 663,878	\$ 553,123	\$ 351,196	\$ 355,485	\$ 1,015,074	\$ 908,608	\$ (106,466)
Restricted for debt service			164,922	164,922	164,922	164,922	
Unrestricted	738,425	1,629,609	2,833,285	2,692,913	3,571,710	4,322,522	750,812
Total net assets	\$ 1,402,303	\$ 2,182,732	\$ 3,349,403	\$ 3,213,320	\$ 4,751,706	\$ 5,396,052	\$ 644,346

Government-wide Activities

Charges for services have remained relatively consistent in Wasatch County Fire District. The District receives revenues from taxes collected by Wasatch County. The tax rate decreased to .000247 for 2006 from .000269 for 2005. The District also receives revenues from Jordanelle Basin property owners for operation and maintenance of the Jordanelle Fire Station, a business-type activity. These revenues are based upon a set charge per equivalent residential unit (ERUs) billed monthly to the property owners/developers in the Jordanelle Basin.

Property tax collections increased from \$578,857 in 2005 to \$647,172 in 2006 due basically to an increase in new properties being taxed.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Activities
For the Year Ended December 31, 2006

	Governmental Activities 2005	Governmental Activities 2006	Business-Type Activities 2005	Business-Type Activities 2006	Total 2005	Total 2006	Increase (Decrease) 2005-2006
Revenues:							
Program Revenues:							
Charges for services	\$ 101,830	\$ 104,210	\$ 2,745,678	\$ 1,277,683	\$ 2,847,508	\$ 1,381,893	\$ (1,465,615)
Grants and contributions	41,556	5,000	63,856	65,691	105,412	70,691	(34,721)
General Revenues:							
Property taxes	578,857	647,172			578,857	647,172	68,315
Unrestricted investment earnings	24,381	44,267	27,398	107,077	51,779	151,344	99,565
Transfers		486,388		(486,388)	-	-	-
Total revenues and transfers	746,624	1,287,037	2,836,932	964,063	3,583,556	2,251,100	(1,332,456)
Expenses:							
Fire protection	511,412	506,608	1,038,792	1,100,146	1,550,204	1,606,754	56,550
Total expenses	511,412	506,608	1,038,792	1,100,146	1,550,204	1,606,754	56,550
Increase in net assets	235,212	780,429	1,798,140	(136,083)	2,033,352	644,346	(1,389,006)
Net assets - beginning	1,167,091	1,402,303	1,551,263	3,349,403	2,718,354	4,751,706	2,033,352
Net assets - ending	\$ 1,402,303	\$ 2,182,732	\$ 3,349,403	\$ 3,213,320	\$ 4,751,706	\$ 5,396,052	\$ 644,346

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

At the end of the year 2006, the Wasatch County Fire District's governmental funds reported combined ending fund balances of \$1,588,720. The general fund is the chief operating fund of the District. At the end of the current year, unreserved fund balance of the general fund was \$784,152.

Proprietary Funds

The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Jordanelle Fire Station proprietary fund were \$2,692,913.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues was \$112,700.

This difference is due mostly to a projected increase in property tax revenues, plan and inspections revenues and a small increase in interest revenues.

The difference between the original budget expenditures and the amended budget expenditures was \$337,578. This difference is mostly due to a projected capital outlay for a new fire apparatus.

The difference between the amended budget revenues and the actual revenues was an increase of \$25,738 due mostly to a small increase in property tax revenues.

The difference between the amended budget expenditures and actual expenditures was a decrease of \$520,137. This may be summarized as follows:

- \$83,118 decrease in payroll and related taxes
- \$6,996 increase in professional services
- \$17,778 decrease in materials and supplies
- \$187 decrease in training and certification
- \$644 increase in utilities
- \$156 decrease in insurance
- \$8,320 decrease in repairs and maintenance
- \$4,100 decrease in other miscellaneous items
- \$414,118 decrease in Capital outlay

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the District. The Capital Assets net for governmental activities had a beginning balance as of December 31, 2005 of \$661,379 and an ending balance as of December 31, 2006 of \$550,623. The Capital Assets net for business-type activities (Jordanelle Fire Station) had a beginning balance as of December 31, 2005 of \$2,219,304 and an ending balance as of December 31, 2006 of \$2,161,892.

Capital Lease – Business-type Activities

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a ten-year period.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20-year period. Semi-annual payments will be made until December 2022.

Additionally, the District entered into a lease agreement with Lucent Technologies, during June 2000, to purchase a phone system for the Jordanelle Fire Station. The District financed \$80,641 over a 6-year period. The total remaining balance was paid off in June 2006. Additional information on the District's capital lease obligations can be found in the notes to the financial statements.

Long-term Debt

At the end of the current year, the District had no short-term debt outstanding for governmental activities. At the end of the current year, the District had no short-term debt outstanding for business type activities. Additional information on the District's long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Wasatch County Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wasatch County Fire District, 25 North Main Street, Heber City, Utah 84032

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Net Assets

December 31, 2006

With Comparative Totals for December 31, 2005

	Governmental Activities	Business-Type Activities	Total	2005
ASSETS				
Cash and cash equivalents	\$ 920,795	\$ 2,307,840	\$ 3,228,635	\$ 2,788,515
Accounts receivable (net of allowance for doubtful accounts)				
Accounts		134,654	134,654	105,711
Lease fees		298,852	298,852	423,269
Internal balances	40,889	(40,889)		
Due from other governmental entities	288,433		288,433	299,402
Deposits	389,118		389,118	
Restricted assets				
Cash and cash equivalents		164,922	164,922	164,922
Capital assets				
Land		100,000	100,000	100,000
Depreciable buildings and equipment, net	550,623	2,061,892	2,612,515	2,780,684
Debt issuance costs, net		19,482	19,482	20,746
Other capital assets	2,500		2,500	2,500
Total assets	<u>\$ 2,192,358</u>	<u>\$ 5,046,753</u>	<u>\$ 7,239,111</u>	<u>\$ 6,685,749</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 9,626	\$ 41,456	\$ 51,082	\$ 38,001
Accrued interest		6,977	6,977	7,186
Noncurrent liabilities				
Due within one year				21,180
Capital lease obligation				
Due within one year		80,000	80,000	82,676
Due in more than one year		1,705,000	1,705,000	1,785,000
Total liabilities	<u>\$ 9,626</u>	<u>\$ 1,833,433</u>	<u>\$ 1,843,059</u>	<u>\$ 1,934,043</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 553,123	\$ 355,485	\$ 908,608	\$ 1,015,074
Restricted for debt service		164,922	164,922	164,922
Unrestricted	1,629,609	2,692,913	4,322,522	3,571,710
Total net assets	<u>\$ 2,182,732</u>	<u>\$ 3,213,320</u>	<u>\$ 5,396,052</u>	<u>\$ 4,751,706</u>

This page intentionally left blank.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Activities

For the Year Ended December 31, 2006

With Comparative Totals for Year Ended December 31, 2005

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Fire protection	\$ 506,608	\$ 104,210	\$ 5,000	
Total governmental activities	<u>506,608</u>	<u>104,210</u>	<u>5,000</u>	
Business-Type Activities				
Fire protection	1,100,146	1,277,683	56,647	\$ 9,044
Total business-type activities	<u>1,100,146</u>	<u>1,277,683</u>	<u>56,647</u>	<u>9,044</u>
Total government	<u>\$ 1,606,754</u>	<u>\$ 1,381,893</u>	<u>\$ 61,647</u>	<u>\$ 9,044</u>
General Revenues				
Taxes - advalorem				
Interest income				
Transfers				
Total general revenues				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	2005
\$ (397,398)		\$ (397,398)	\$ (368,026)
(397,398)		(397,398)	(368,026)
	\$ 243,228	243,228	1,770,742
	243,228	243,228	1,770,742
(397,398)	243,228	(154,170)	1,402,716
647,172		647,172	578,857
44,267	107,077	151,344	51,779
486,388	(486,388)		
1,177,827	(379,311)	798,516	630,636
780,429	(136,083)	644,346	2,033,352
1,402,303	3,349,403	4,751,706	2,718,354
\$ 2,182,732	\$ 3,213,320	\$ 5,396,052	\$ 4,751,706

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Balance Sheet

Governmental Funds

December 31, 2006

With Comparative Totals for December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>2005</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 116,227	\$ 804,568	\$ 920,795	\$ 446,083
Due from other governmental entities	288,433		288,433	299,402
Deposits	389,118		389,118	
Total assets	<u>\$ 793,778</u>	<u>\$ 804,568</u>	<u>\$ 1,598,346</u>	<u>\$ 745,485</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 1,900		\$ 1,900	\$ 1,135
Accrued payroll and employee benefits	4,981		4,981	370
Other current liabilities	2,745		2,745	5,556
Total liabilities	<u>9,626</u>		<u>9,626</u>	<u>7,061</u>
Fund Balance				
Reserved for capital projects		\$ 804,568	804,568	294,269
Unreserved	784,152		784,152	444,155
Total fund balance	<u>784,152</u>	<u>804,568</u>	<u>1,588,720</u>	<u>738,424</u>
Total liabilities and fund balance	<u>\$ 793,778</u>	<u>\$ 804,568</u>	<u>\$ 1,598,346</u>	<u>\$ 745,485</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets**

December 31, 2006

Total fund balance - total governmental funds	\$ 1,588,720
---	--------------

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	553,123
---	---------

Capital assets contributed to the business-type activities are reported as an internal balance.	40,889
--	--------

Net assets of governmental activities	<u>\$ 2,182,732</u>
---------------------------------------	---------------------

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

For Year Ended December 31, 2006

With Comparative Totals for Year Ended December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>2005</u>
Revenues				
Property taxes	\$ 647,172		\$ 647,172	\$ 578,857
Plans and inspections	104,210		104,210	101,830
Grants	5,000		5,000	41,556
Interest	20,356	\$ 23,911	44,267	24,381
Total revenues	<u>776,738</u>	<u>23,911</u>	<u>800,649</u>	<u>746,624</u>
Expenditures				
Current				
Payroll and related taxes	339,577		339,577	344,576
Professional services	37,296		37,296	28,432
Materials and supplies	29,522		29,522	16,663
Training and certification	5,178		5,178	4,394
Utilities	1,744		1,744	1,113
Insurance	9,844		9,844	9,684
Repairs and maintenance	11,680		11,680	17,617
Other	1,900		1,900	
Capital outlay				5,068
Debt service				
Principal				290,931
Interest				11,297
Total expenditures	<u>436,741</u>	<u></u>	<u>436,741</u>	<u>729,775</u>
Excess of revenues over expenditures	<u>339,997</u>	<u>23,911</u>	<u>363,908</u>	<u>16,849</u>
Other Financing Sources				
Operating transfers in		486,388	486,388	
Total other financing sources		<u>486,388</u>	<u>486,388</u>	
Excess of revenues and other financing sources over expenditures	339,997	510,299	850,296	16,849
Fund balance at beginning of year	444,155	294,269	738,424	721,575
Fund balance at end of year	<u>\$ 784,152</u>	<u>\$ 804,568</u>	<u>\$ 1,588,720</u>	<u>\$ 738,424</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-wide Statement of Activities**

For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds	\$ 850,296
--	------------

Amounts reported for governmental activities in the
Statement of Activities are different because:

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(69,867)
--	----------

Change in net assets of governmental activities	<u>\$ 780,429</u>
---	-------------------

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Net Assets

December 31, 2006

With Comparative Totals for December 31, 2005

	Governmental Activities	Business-Type Activities	Total	2005
ASSETS				
Cash and cash equivalents	\$ 920,795	\$ 2,307,840	\$ 3,228,635	\$ 2,788,515
Accounts receivable (net of allowance for doubtful accounts)				
Accounts		134,654	134,654	105,711
Lease fees		298,852	298,852	423,269
Internal balances	40,889	(40,889)		
Due from other governmental entities	288,433		288,433	299,402
Deposits	389,118		389,118	
Restricted assets				
Cash and cash equivalents		164,922	164,922	164,922
Capital assets				
Land		100,000	100,000	100,000
Depreciable buildings and equipment, net	550,623	2,061,892	2,612,515	2,780,684
Debt issuance costs, net		19,482	19,482	20,746
Other capital assets	2,500		2,500	2,500
Total assets	<u>\$ 2,192,358</u>	<u>\$ 5,046,753</u>	<u>\$ 7,239,111</u>	<u>\$ 6,685,749</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 9,626	\$ 41,456	\$ 51,082	\$ 38,001
Accrued interest		6,977	6,977	7,186
Noncurrent liabilities				
Due within one year				21,180
Capital lease obligation				
Due within one year		80,000	80,000	82,676
Due in more than one year		1,705,000	1,705,000	1,785,000
Total liabilities	<u>\$ 9,626</u>	<u>\$ 1,833,433</u>	<u>\$ 1,843,059</u>	<u>\$ 1,934,043</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 553,123	\$ 355,485	\$ 908,608	\$ 1,015,074
Restricted for debt service		164,922	164,922	164,922
Unrestricted	1,629,609	2,692,913	4,322,522	3,571,710
Total net assets	<u>\$ 2,182,732</u>	<u>\$ 3,213,320</u>	<u>\$ 5,396,052</u>	<u>\$ 4,751,706</u>

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements

- Fund financial statements

 - Governmental funds

 - Proprietary (enterprise) fund

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Net Assets

Proprietary Fund

December 31, 2006

With Comparative Totals for December 31, 2005

ASSETS

	2006	2005
Current Assets		
Cash and cash equivalents	\$ 2,307,840	\$ 2,342,432
Accounts receivable (net of allowance for doubtful accounts of \$34,246 and \$158,156, respectively)	134,654	105,711
Total current assets	<u>2,442,494</u>	<u>2,448,143</u>
Noncurrent Assets		
Restricted cash and cash equivalents	164,922	164,922
Lease fees receivable	298,852	423,269
Capital assets		
Land	100,000	100,000
Depreciable buildings and equipment, net	2,061,892	2,119,306
Debt issuance costs (net of accumulated amortization of \$5,792 and \$4,529, respectively)	19,482	20,746
Total noncurrent assets	<u>2,645,148</u>	<u>2,828,243</u>
Total assets	<u>\$ 5,087,642</u>	<u>\$ 5,276,386</u>

LIABILITIES

Current Liabilities		
Accounts payable	\$ 7,533	\$ 6,262
Accrued payroll and employee benefits	20,549	13,222
Accrued compensated absences	13,374	11,457
Accrued interest	6,977	7,186
Current portion capital lease obligation	80,000	82,676
Current portion note payable		21,180
Total current liabilities	<u>128,433</u>	<u>141,983</u>
Noncurrent Liabilities		
Capital lease obligation	1,705,000	1,785,000
Total noncurrent liabilities	<u>1,705,000</u>	<u>1,785,000</u>
Total liabilities	<u>\$ 1,833,433</u>	<u>\$ 1,926,983</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 396,374	\$ 351,196
Restricted for debt service	164,922	164,922
Unrestricted	<u>2,692,913</u>	<u>2,833,285</u>
Total net assets	3,254,209	<u>\$ 3,349,403</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because capital assets contributed by governmental-type activities are reported as an internal balance.

(40,889)

Net assets of business-type activities	<u>\$ 3,213,320</u>
--	---------------------

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund**

For Year Ended December 31, 2006

With Comparative Totals for Year Ended December 31, 2005

	2006	2005
Operating Revenues		
Charges for services	\$ 1,153,773	\$ 1,969,243
Revenue recoveries	123,910	776,435
Total operating revenues	<u>1,277,683</u>	<u>2,745,678</u>
Operating Expenses		
Payroll and related benefits	728,758	687,641
Professional services	22,644	16,958
Materials and supplies	60,114	48,520
Training and certification	6,183	7,727
Utilities	20,495	22,762
Insurance	9,844	9,153
Repairs and maintenance	50,915	42,328
Depreciation	113,419	111,078
Amortization	1,264	1,264
Other	815	
Total operating expenses	<u>1,014,451</u>	<u>947,431</u>
Operating income	<u>263,232</u>	<u>1,798,247</u>
Nonoperating Revenues and (Expenses)		
Grant income	56,647	63,856
Interest income	107,077	27,398
Interest expense	(85,695)	(91,361)
Total nonoperating revenues and (expenses)	<u>78,029</u>	<u>(107)</u>
Income before contributions and transfers	<u>341,261</u>	<u>1,798,140</u>
Capital Contributions		
Hazmat trailer	9,044	
Truck	40,889	
Total capital contributions	<u>49,933</u>	
Other Financing Uses		
Operating transfers out	(486,388)	
Total other financing uses	<u>(486,388)</u>	
Change in Net Assets	(95,194)	1,798,140
Net assets beginning of year	3,349,403	1,551,263
Net assets end of year	3,254,209	<u>\$ 3,349,403</u>
 Some amounts reported for business-type activities in the Statement of Activities are different because contributed capital from governmental-type activities is not reported as a program revenue.	 (40,889)	
 Change in net assets of business-type activities	 <u>\$ 3,213,320</u>	

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2006

With Comparative Totals for Year Ended December 31, 2005

	2006	2005
Cash Flows from Operating Activities		
Receipts from customers	\$ 1,373,157	\$ 3,013,641
Payments to suppliers	(169,739)	(144,307)
Payments to employees	(719,514)	(682,219)
Net cash provided by operating activities	<u>483,904</u>	<u>2,187,115</u>
Cash Flows from Noncapital Financing Activities		
Grants received	56,647	63,856
Transfers from (to) other funds	(486,388)	175,511
Net cash provided (used) by noncapital financing activities	<u>(429,741)</u>	<u>239,367</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(6,072)	(47,368)
Principal paid on capital lease obligations	(82,676)	(88,586)
Principal paid on capital debt	(21,180)	(31,774)
Interest paid on capital lease obligations and debt	(85,904)	(91,548)
Net cash used by capital and related financing activities	<u>(195,832)</u>	<u>(259,276)</u>
Cash Flows from Investing Activities		
Interest	107,077	27,398
Net cash provided by investing activities	<u>107,077</u>	<u>27,398</u>
Net increase (decrease) in cash and cash equivalents	(34,592)	2,194,604
Balances at beginning of year	2,507,354	312,750
Balances at end of year	<u>\$ 2,472,762</u>	<u>\$ 2,507,354</u>
Cash and cash equivalents	\$ 2,307,840	\$ 2,342,432
Restricted cash and cash equivalents	164,922	164,922
	<u>\$ 2,472,762</u>	<u>\$ 2,507,354</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 263,232	\$ 1,798,247
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	113,419	111,078
Amortization	1,264	1,264
Changes in assets and liabilities		
Decrease in receivables and prepaids	95,474	267,963
Increase in accrued liabilities	10,515	8,563
Net cash provided by operating activities	<u>\$ 483,904</u>	<u>\$ 2,187,115</u>
<i>Noncash capital and related financing activities</i>		
Capital contribution of Hazmat trailer	\$ 9,044	
Capital contribution of truck	\$ 40,889	

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wasatch County Fire Protection Special Service District (the District) was created by Wasatch County in 1987 to provide fire protection services for the County. The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails. The financial statements and notes are representations of Wasatch County Fire Protection Special Service District's management, which is responsible for their integrity and objectivity. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

Reporting Entity

Wasatch County Fire Protection Special Service District is managed by the Fire Chief under the direction of the Wasatch County Council.

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is presented in the County's financial statements as a blended unit.

No other entities are considered to be component units of the District.

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. All of the District's funds are major funds.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by the proprietary fund).

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The District has only one proprietary fund which is a major fund as described below.

Enterprise Fund

The Enterprise Fund is used to account for fire protection provided by the Jordanelle station in the Jordanelle Basin. Activities of the fund include administration, operations and maintenance of the building, and billing and collection activities. The fund also accounts for the services of the full-time fire suppression personnel. All costs are financed through charges to the land owners and developers within the Jordanelle Basin.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets; and the Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Accounts Receivable

The District considers an account to be delinquent if payment has not been received by the last day of the month. All delinquent accounts are assessed a finance charge of 1.25 percent per month, 15 percent per annum. The District's policy is to accrue an allowance against future bad debt losses based on the total overdue accounts receivable which are at least ninety (90) days delinquent. Each year the allowance is evaluated by management and adjusted to the level deemed necessary.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of each year. These budgets are amended during the year as the board deems necessary, to accommodate current operations, and are accepted by official vote of the board. The board amended the budget for the year ended December 31, 2006.

Compensated Absences

Compensated absences consist of vacation pay. The District accrues vacation pay when earned. Sick leave does not vest to District employees upon their termination and is, therefore, not accrued. See Note 6 for additional information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash of all funds is pooled into a common interest-bearing bank account. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. See Note 2 for additional information.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leased building and equipment	5 – 40 years
Building improvements	10 – 15 years
Equipment	5 – 16 years
Furniture and fixtures	2 – 10 years
Improvements other than buildings	20 years
Office equipment	6 – 10 years
Vehicles	2 – 39 years

See Note 7 for additional information.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both Governmental and Proprietary Funds.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the District when they are collected. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Wasatch County on behalf of the District and remitted to the District monthly. At December 31, 2006, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2006 is not considered significant.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

NOTE 2 – DEPOSITS, INVESTMENTS AND RESTRICTED ASSETS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council (the Council). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$198,573 of the District's bank balance of \$312,636 was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 2 – DEPOSITS, INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

Credit Risk (Continued)

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the District had investments of \$2,915,725 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Designated Assets

In 1998, the Board adopted a resolution designating the use of \$550,000 in the Capital Projects Fund for the purpose of acquiring equipment and certain supplies. As of December 31, 2006, \$804,568 was available for use. The total of \$804,568 is shown as a reserved fund balance in the equity account of the Capital Projects Fund.

Restricted Assets

The \$164,922 of restricted cash in the Enterprise Fund is being held in a reserve account by the Wasatch County Municipal Building Authority as part of the capital lease obligation (Note 4). The balance of the reserve account will be credited towards the final lease payment in December 2022.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 3 – EMPLOYEE BENEFIT PLANS

State Retirement

The District contributes to the Public Employees Noncontributory Retirement System, the Firefighters Division A Retirement System, and the 401(k) Defined Contribution System for qualifying employees. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated* 1953 (Chapter 49) as amended which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The District was required to contribute 11.09% of annual covered salary on behalf of participants in the Public Employees Noncontributory Retirement System from the period January 2006 to June 2006, and 11.59% from the period July 2006 to December 2006. In the Firefighters Division A Retirement System members were required to contribute 8.61% of their salary from the period January 2006 to June 2006, and 10.84% from the period July 2006 to December 2006 all of which was paid by the District for the employee. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District is also required to contribute a percentage of their covered employees' annual salaries for members in the 401(k) Plan Defined Contribution System. Percentages are determined by the Board upon hire and range from 6.64% to 18.23%.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 3 – EMPLOYEE BENEFIT PLANS (CONTINUED)

State Retirement (Continued)

The District's contributions have been as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Public Employees - Noncontributory	\$ 5,649	\$ 5,305	\$ 3,897
Firefighters Division A	46,447	38,890	30,733
401(k) Plan	<u>43,163</u>	<u>41,301</u>	<u>31,794</u>
Total District contributions	<u>\$ 95,259</u>	<u>\$ 85,496</u>	<u>\$ 66,457</u>

The contributions were equal to the required contributions for the year.

Cafeteria

The District offers a cafeteria plan to all employees to fund a health insurance benefits program.

NOTE 4 – CAPITAL LEASES

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a 10 year period.

Construction of the station and purchase of the equipment was funded by the Wasatch County Municipal Building Authority using monies from a lease revenue bond issued in the Building Authority's name during 1999. Under terms of the sublease agreement, everything purchased with funds from this bond issue became part of the capital lease agreement; therefore, the total amount financed was capitalized by the District under the capital lease obligation.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20 year period. Semi-annual payments will be made until December 2022. The annual interest rate on the note varies from 3% to 5%. The note is secured by the related capital assets. The District may purchase the assets at any time by paying the balance of the lease obligation.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 4 – CAPITAL LEASES (CONTINUED)

The District entered into a lease agreement with Lucent Technologies, during June 2000, to purchase a phone system for the Jordanelle Fire Station. The District financed \$80,641 over a 6 year period. Monthly payments were made through June 2006. The annual interest rate on the note was 4.98%.

The following is a schedule by year of the future minimum lease payment with the present value of the minimum lease payments.

Year ending December 31:

2007	\$ 163,715
2008	161,035
2009	162,835
2010	164,435
2011	165,790
2012-2016	812,943
2017-2021	818,500
2022	162,750
Total minimum lease payments	2,612,003
Less: Amount representing interest	(827,003)
Present value of net minimum lease payments	1,785,000
Principal amount due within one year	(80,000)
Principal amount due after one year	<u>\$ 1,705,000</u>

NOTE 5 – LONG-TERM DEBT

In 2001, the District entered into an agreement with Information Leasing Corporation to purchase a Pierce Hawk Wildland Truck. The District financed \$146,546 over a 5 year period. Monthly payments of \$2,765 were made through August 2006. The annual interest rate on the note was 4.99%.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 5 — LONG-TERM DEBT (CONTINUED)

The changes in long-term debt are as follows:

	Balance 12/31/2005	Issues or Additions	Payments or Expenditures	Balance 12/31/2006	Due Within One Year
Business-Type Activities					
Accrued compensated absences	\$ 11,547	\$ 25,805	\$ 23,888	\$ 13,374	
Note payable	21,180		21,180	-0-	
Total government	<u>\$ 21,180</u>	<u>\$ 25,805</u>	<u>\$ 45,068</u>	<u>\$ 13,374</u>	<u>\$ -0-</u>

NOTE 6 — COMPENSATED ABSENCES

Full-time administrative personnel of the District accrue 10 days of vacation leave a year for the first five years of employment. During the second five years of employment, an employee accrues 10 days of vacation time plus one day for each year of completed service totaling 20 days. After 20 years of completed service, an employee accrues 25 days of vacation. A day of vacation equals 8 hours. An employee may use vacation leave after a 6 month probationary period with the approval of the District Chief. An employee may carry over any unused vacation days to the next calendar year up to a maximum of 320 hours. Any unused vacation exceeding this amount will be lost. Upon termination, any accrued vacation leave will be paid out to the employee.

Full-time fire suppression personnel of the District accrue 5 shifts per year at the end of the first year of service. After six full years of service, vacation leave will accrue to 6 shifts per year. A shift equals 24.25 hours. Fire suppression personnel may use vacation leave after a 6 month probationary period with the approval of the District Chief. Fire suppression personnel may carryover to the next calendar year unused vacation days not to exceed 320 hours. Upon termination, any accrued vacation leave will be paid out to the employee.

Full-time administrative personnel can accrue up to 150 days of sick leave which is accumulated at a rate of one day per month. Upon retirement, the District will compensate an employee with 5 years of continuous service with 50% of the unused sick leave paid out at his/her most recent base salary rate up to a maximum of 600 hours. Sick leave is not paid out upon termination.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 6 – COMPENSATED ABSENCES (CONTINUED)

Full-time fire suppression personnel are entitled to 5 shifts of sick leave each calendar year. Unused sick leave will accrue up to a maximum of 90 calendar days (24.25 hours per day). Upon retirement, the District will compensate fire suppression personnel with 5 years of service at his/her most recent base salary rate for 28% of unused sick leave up to a maximum of 611 hours. Sick leave is not paid out upon termination.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Equipment	\$ 286,701			\$ 286,701
Furniture and fixtures	1,092			1,092
Vehicles	882,012		(47,180)	834,832
Total capital assets being depreciated	<u>1,169,805</u>		<u>(47,180)</u>	<u>1,122,625</u>
Less accumulated depreciation for:				
Equipment	(144,953)	(27,169)		(172,122)
Furniture and fixtures	(1,092)			(1,092)
Vehicles	(362,381)	(42,698)	6,291	(398,788)
Total accumulated depreciation	<u>(508,426)</u>	<u>(69,867)</u>	<u>6,291</u>	<u>(572,002)</u>
Governmental activities capital assets, net	<u>\$ 661,379</u>	<u>\$ (69,867)</u>	<u>\$ (40,889)</u>	<u>\$ 550,623</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000			\$ 100,000
Total capital assets not being depreciated	<u>100,000</u>			<u>100,000</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets being depreciated:				
Leased building and equipment	2,400,641			2,400,641
Building improvements	5,040			5,040
Equipment	65,542	\$ 15,117		80,659
Furnitures and fixtures	1,485			1,485
Land improvements	7,678			7,678
Office equipment	4,955			4,955
Vehicles	246,370	47,180		293,550
Total other capital assets at historical cost	<u>2,731,711</u>	<u>62,297</u>		<u>2,794,008</u>
Less accumulated depreciation for:				
Leased building and equipment	(506,196)	(72,589)		(578,785)
Building improvements	(1,706)	(418)		(2,124)
Equipment	(43,093)	(8,464)		(51,557)
Furnitures and fixtures	(744)	(148)		(892)
Land improvements	(668)	(41)		(709)
Office equipment	(3,318)	(404)		(3,722)
Vehicles	(56,682)	(37,645)		(94,327)
Total accumulated depreciation	<u>(612,407)</u>	<u>(119,709)</u>		<u>(732,116)</u>
Net depreciable assets	<u>2,119,304</u>	<u>(57,412)</u>		<u>2,061,892</u>
Business-type activities capital assets, net	<u>\$ 2,219,304</u>	<u>\$ (57,412)</u>	<u>\$ -0-</u>	<u>\$ 2,161,892</u>

In December 2006, the District made a deposit on a new Seagrave fire truck in the amount of \$389,118 in order to take advantage of a cash discount. Title for the truck is expected to transfer in 2007, upon production and delivery of the truck. The purchase price will then be recorded as capital outlay in the general fund and added to capital assets of the governmental activities.

NOTE 8 – INTERFUND BALANCES AND OPERATING TRANSFERS

Interfund transfers occur routinely throughout the year as the Enterprise Fund transfers funds to the General Fund to be used for operations until tax revenues are transmitted from Wasatch County.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 8 – INTERFUND BALANCES AND OPERATING TRANSFERS (CONTINUED)

Upon receipt of the tax revenues, the General Fund transfers funds back to the Enterprise Fund. Also in 2006, the General Fund contributed a truck to the Enterprise Fund to be used by the Hazmat team, resulting in an interfund balance of \$40,889.

In 2006, the District transferred \$486,388 from the Enterprise Fund to the Capital Projects Fund to be used to purchase additional vehicles or construct additional stations.

NOTE 9 – HAZARDOUS MATERIALS TEAM

Four of the Districts' fire suppression personnel participate in the Utah State Region 2 Hazardous Materials Team. This team consists of representatives from Tooele, Salt Lake, Utah, Summit and Wasatch Counties. In order to participate, the District must provide training and certification for these fire suppression personnel. Once certified, the District will be required to provide the training hours necessary in order to maintain the certification. The District is also responsible for compensating these fire suppression personnel when they are called out on a hazardous materials incident.

NOTE 10 – RELATED PARTY

Wasatch County Sheriff's Office

During 2006, the District paid Wasatch County Sheriff's Office for dispatch services received. Payments to Wasatch County Sheriff's Office for the year ending December 31, 2006 totaled \$5,000. The Sheriff's Office is a department of Wasatch County, of which, the District is a component unit.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by generally accepted accounting principles in the United States of America, but are not considered a part of the financial statements. Such information includes:

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual — General Fund**

For Year Ended December 31, 2006

With Comparative Totals for Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance	2005 Actual
Revenues					
Property taxes	\$ 565,300	\$ 616,000	\$ 647,172	\$ 31,172	\$ 578,857
Plans and inspections	56,000	110,000	104,210	(5,790)	101,830
Grants		5,000	5,000		41,556
Interest	17,000	20,000	20,356	356	14,827
Total revenues	<u>638,300</u>	<u>751,000</u>	<u>776,738</u>	<u>25,738</u>	<u>737,070</u>
Expenditures					
Current					
Payroll and related taxes	392,000	422,695	339,577	83,118	344,576
Professional services	30,300	30,300	37,296	(6,996)	28,432
Materials and supplies	42,000	47,300	29,522	17,778	16,663
Training and certification	6,000	5,365	5,178	187	4,394
Utilities	1,000	1,100	1,744	(644)	1,113
Insurance	11,000	10,000	9,844	156	9,684
Repairs and maintenance	32,000	20,000	11,680	8,320	17,617
Other	2,500	6,000	1,900	4,100	
Capital outlay	62,500	414,118		414,118	5,068
Debt service					
Principal	28,000				290,931
Interest	12,000				11,297
Total expenditures	<u>619,300</u>	<u>956,878</u>	<u>436,741</u>	<u>520,137</u>	<u>729,775</u>
Excess (deficiency) of revenues over expenditures	<u>19,000</u>	<u>(205,878)</u>	<u>339,997</u>	<u>545,875</u>	<u>7,295</u>
Other Financing Sources (Uses)					
Operating transfers in		455,878		(455,878)	
Operating transfers out		(250,000)		250,000	
Total other financing sources (uses)		<u>205,878</u>		<u>250,000</u>	
Excess of revenues and other financing sources over expenditures	<u>19,000</u>		<u>339,997</u>	<u>\$ 795,875</u>	<u>7,295</u>
Fund balance at beginning of year	<u>444,155</u>	<u>444,155</u>	<u>444,155</u>		<u>436,860</u>
Fund balance at end of year	<u>\$ 463,155</u>	<u>\$ 444,155</u>	<u>\$ 784,152</u>		<u>\$ 444,155</u>

ADDITIONAL AUDITORS' REPORTS AND SCHEDULES

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA
KEVIN L. SIMISTER, CPA
O. JEFFERY WILDE, CPA
MARK D. WHITTAKER, CPA
DENTON R. ALEXANDER, CPA
D. ERIC NUTTALL, CPA
BRUCE D. GARFIELD, CPA
CLINT L. PETERSON, CPA
ANGELA ANDERSON, CPA
MARK L. HALE, CPA

RICHARD E. HAWKINS, CPA
KEITH T. BORUP, CPA
RONALD K. HAWKINS, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2007. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Wasatch County Fire Protection Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as items 06-1 and 06-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Wasatch County Fire Protection Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, pass-through entities and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2007

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Findings

December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Wasatch County Fire Protection Special Service District.
2. There were two significant deficiencies, as described in findings 06-1 and 06-02, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR

06-1 Finding: Authorization of Depository Accounts

While conducting the audit we noted that a new checking account was opened and the existing account closed without a discussion held and approval given by the Board in their monthly meeting.

Recommendation:

We recommend the District's Board formally authorize the change in any depository account used by the District. This authorization should be included in the Board minutes.

District's Response:

We agree with the finding and will implement the recommendation, insofar as possible.

06-2 Finding: Discrepancy in Pay Rates Authorized

While conducting the audit we noted two errors occurring after pay rate increases were authorized by the Board. First, the timing of an actual rate increase took place

prior to the authorization by the Board without the Board stating an earlier effective date. Second, an employee did not receive one of the increases as authorized by the Board.

Recommendation:

We recommend the District's Board follow up on pay rate changes in the subsequent board meeting by reviewing a schedule containing the prior pay rate and the new pay rate with effective dates of the rate change. The Board should sign the schedule approving the rate changes. This schedule also should address pay rate changes effective for shared employees.

District's Response:

We agree with the finding and will implement the recommendation, insofar as possible.

C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

05-1 Finding: Improper Posting of Transactions Related to Grant Agreements

While conducting the audit we noted that revenue from grant agreements was not being recorded in the same fund as the related expenditures.

Status:

This finding has been corrected.



HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA
KEVIN L. SIMISTER, CPA
O. JEFFERY WILDE, CPA
MARK D. WHITTAKER, CPA
DENTON R. ALEXANDER, CPA
D. ERIC NUTTALL, CPA
MARK L. HALE, CPA
BRUCE D. GARFIELD, CPA
CLINT L. PETERSON, CPA
ANGELA ANDERSON, CPA

RICHARD E. HAWKINS, CPA
KEITH T. BORUP, CPA
RONALD K. HAWKINS, CPA

UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, for the year ended December 31, 2006, and have issued our report thereon dated January 15, 2007. The District received the following nonmajor grants which are not required to be audited for specific compliance requirements. (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

FY 2005 Homeland Security Grant (Department of Public Safety)
FY 2005 Fire Department Assistance Grant (Department of the Interior)
FY 2006 Local Emergency Planning Committee Grant (Department of Public Safety)

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Special Districts
Other General Compliance Issues
Impact Fees

The District did not receive any major State grants during the year ended December 31, 2006.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1095 South 800 East, Suite 1 • PO Box 971810 • ³³Orem, UT 84097 • 801-224-1900 • FAX: 801-224-1930
www.mycpa.com • Email: hcs@mycpa.com

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance regarding whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one immaterial instance of noncompliance with the requirements referred to above, which is described below. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph of this report.

In our opinion, the Wasatch County Fire Protection Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

CURRENT YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE

Finding: Fund Balance Limitations

With respect to the general fund only, State law restricts the accumulated fund balance to the greater of 100% of current year's property tax, or 25% of the total general fund's revenues if the annual general fund budget is greater than \$100,000. The general fund balance exceeded this limitation

Recommendation:

We recommend the District Board authorize the administrative staff to transfer funds from the general fund in the amount necessary to maintain compliance with State limitations.

District's Response:

This instance of noncompliance was due to the timing of the purchase of a new fire truck. The truck purchase was prepaid; however, title for the truck will not be received until 2007. Thus the expenditure was not recorded in the general fund. Had titled been transferred with the prepayment, the District would be in compliance. We agree with the finding and will implement the recommendation, insofar as possible, to prevent noncompliance in the future.

There were no prior year findings.

This report is intended solely for the information and use of management, pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2007